

SENECA TOWNSHIP
46-1200
LENAWEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
JUNE 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name SENECA TOWNSHIP	County LENAWEE
Audit Date 6/30/04	Opinion Date 10/4/04	Date Accountant Report Submitted to State: 11/3/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

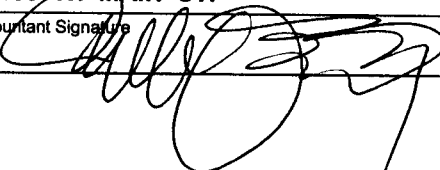
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) PHILIP R. RUBLEY, CPA			
Street Address 133 W. MAIN ST.	City MORENCI	State MI	ZIP 49256
Accountant Signature 		Date 10/4/04	

SENECA TOWNSHIP
LENAAWEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
JUNE 30, 2004

SENECA TOWNSHIP
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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PHILIP R. RUBLEY

- Certified Public Accountant -

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'s
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

October 4, 2003

Board of Trustees
Township of Seneca
Lenawee County, Michigan

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Seneca Township, Lenawee County, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Seneca Township, Lenawee County, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information on pages 2 through 4 and 19 through 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully Submitted,


Philip R. Rubley, CPA

PRR/cab

SENECA TOWNSHIP
Management's Discussion and Analysis
June 30, 2004

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of Seneca Township a government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements, also slightly changed from prior years, follow the above-mentioned statements and illustrate how the services provided by the Township were financed in the short term, as well as what remains for future spending. Additionally, fund financial statements report the Township's operations in more detail than the government-wide financial statements.

In a condensed format, the table below shows the comparison of net assets (in thousands of dollars) as of June 30, 2004 to the prior year.

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Current Assets	\$119.1	\$ 94.3
Noncurrent Assets:		
Capital Assets	<u>40.3</u>	<u>40.7</u>
Total Assets	<u>159.4</u>	<u>135.0</u>
Current Liabilities	9.0	6.4
Long-Term Liabilities	<u>3.1</u>	<u>9.0</u>
Total Liabilities	<u>12.1</u>	<u>15.4</u>
Net Assets:		
Invested in Capital Assets –		
Net of Related Debt	40.3	40.7
Unrestricted (deficit)	<u>107.0</u>	<u>78.9</u>
Total Net Assets	<u>\$147.3</u>	<u>\$119.6</u>

The Township's combined net assets increased 23 percent from a year ago, increasing from \$119.6 thousand to \$147.3 thousand. This increase was the result of excess revenues over expenses in 2004 of which a large amount was anticipated for roads, highways, etc. then was actually spent.

SENECA TOWNSHIP
Management's Discussion and Analysis
June 30, 2004

The following table shows the changes in net assets (in thousands of dollars) as of June 30, 2004 and the prior year:

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Revenue		
Program Revenue:		
Charges for Services	\$ 43.5	\$ 41.1
General Revenue:		
Property Taxes	36.0	36.0
Intergovernmental	90.1	96.4
Interest	.6	.5
Other	<u>3.1</u>	<u>16.4</u>
Total Revenue	<u>173.3</u>	<u>190.4</u>
Program Expenses		
General Government	55.4	58.8
Public Safety	77.8	75.6
Public Works	11.6	46.0
Community & Economic Development	.4	.5
Interest on Long-Term Debt	.4	.5
Water and Sewer	<u>---</u>	<u>---</u>
Total Program Expenses	<u>145.6</u>	<u>181.4</u>
Change in Net Assets	27.7	9.0
Net Assets – Beginning of Year	<u>119.6</u>	<u>110.6</u>
Net Assets – End of Year	<u>\$147.3</u>	<u>\$119.6</u>

SENECA TOWNSHIP
Management's Discussion and Analysis
June 30, 2004

Governmental Activities

The Township's total governmental revenues decreased approximately 17.1 thousand from the previous year. State shared revenues amounted to 6.3 thousand and the balance in less than anticipated outside sources of revenue.

Expenses decreased mainly because of a decrease in expenditures for highways and roads. While this looks good for the current year operations additional repair work will be needed and lack of additional state shared revenues will close the gap of excess.

The Township's Funds

Our analysis of the Township's major funds begins on Page 5, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purpose as well as show accountability for certain activities. The Township's major fund for 2004 is the General Fund.

In August 2004, the Township passed a road millage of 2 mills which is approximately \$60,000 to help pay for road repairs over the next few years.

General Fund Budgetary Highlights

Over the course of the year, the Township administration and Township Board monitor the budget to take into account unanticipated events that occur during the year. The most significant of these events during fiscal year 2004 were the decreases in anticipated State – shared revenues. These revenues decreased due to the downturn in the economy and State cutbacks during 2002 through 2004.

Capital Asset and Debt Administration

At the end of 2004, the Township had 56,268 invested in capital assets, including buildings, and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law.

Economic Factors and Next Year's Budget and Rate

Seneca Township is in rural Lenawee County, Michigan a farm community. Anticipated property tax increases and growth not expected. In addition, State revenue sharings, which represents 52% of the General Fund budget, is likely to decrease, because of the State's current economic state. This will require close tabs on expenditures for the upcoming year. Adjustments will be made to mirror the revenue base, ensuring the continuation of the trend of excess revenues over expenditures.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

SENECA TOWNSHIP
Government Wide Statement of Net Assets
June 30, 2004

Primary Government

**Governmental
Activities**

ASSETS

Cash - Checking	\$113,988
Property Tax Receivable	2,105
Prepaid Expenses	3,053
Capital Assets - Net	<u>40,291</u>

Total Assets	159,437
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LIABILITIES

Accounts Payable	1,183
Accrued and Other Liabilities	1,989
Long-Term Liabilities	
Due Within One Year	5,816
Due in More Than One Year	<u>3,168</u>

Total Liabilities	<u>12,156</u>
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NET ASSETS

Invested in Capital Assets	40,291
Unrestricted	<u>106,990</u>

Total Net Assets	<u>\$147,281</u>
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The notes to financial statements are an integral part of these statements.

SENECA TOWNSHIP
Government Wide Statement of Activities
Year Ended June 30, 2004

		<u>Program Revenues</u>	
<u>FUNCTIONAL PROGRAMS</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Net (Expense) Revenue</u>
Governmental Activities:			
General Government	\$ 55,352	\$ ---	\$ (55,352)
Public Safety	77,814	43,584	(34,230)
Public Works	11,630	---	(11,630)
Community and Economic Development	---	---	---
Interest on Long-Term Debt	400	---	(400)
	<u>429</u>	<u>---</u>	<u>(429)</u>
Total Governmental Activities	<u>145,625</u>	<u>43,584</u>	<u>(102,041)</u>
Total Primary Government	<u>\$145,625</u>	<u>\$43,584</u>	<u>\$(102,041)</u>
Change in Net Assets			<u>\$(102,041)</u>
General Revenues:			
Property Taxes			36,013
Intergovernmental Revenues			90,191
Interest Income			585
Metro Act			2,912
Miscellaneous			<u>64</u>
Total General Revenues			<u>129,765</u>
Change in Net Assets			27,724
Net Assets, Beginning of Year			<u>119,557</u>
Net Assets, End of Year			<u>\$ 147,281</u>

The notes to financial statements are an integral part of these statements.

SENECA TOWNSHIP
Governmental Fund Balance Sheet
June 30, 2004

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>		
Cash - Checking	\$113,988	\$113,988
Property Tax Receivable	2,105	2,105
Pre-Paid Expenses	<u>3,053</u>	<u>3,053</u>
Total Assets	<u>\$119,146</u>	<u>\$119,146</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,183	\$ 1,183
Payable to Other Governmental Authorities	<u>1,989</u>	<u>1,989</u>
Total Liabilities	<u>3,172</u>	<u>3,172</u>
<u>FUND BALANCE</u>		
Unreserved		
Undesignated	<u>115,974</u>	<u>115,974</u>
Total Fund Balance	<u>115,974</u>	<u>115,974</u>
Total Liabilities and Fund Balance	<u>\$119,146</u>	<u>\$119,146</u>

The notes to financial statements are an integral part of these statements.

SENECA TOWNSHIP
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
For The Year Ended June 30, 2004

Fund Balances – Total Governmental Funds	\$115,974
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
ADD – Capital Assets	56,268
DEDUCT – Accumulated Depreciation	(15,977)
Repayment of notes payable for advance life support is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
ADD – Principal Payments on Long-Term Liabilities	11,086
Proceeds from notes payable for advance life support, which provided financial resources in the period issued, but increases liabilities in the statement of net assets.	
DEDUCT – Proceeds of Notes Payable	(20,070)
Change in Net Assets of Governmental Activities	<u>\$147,281</u>

SENECA TOWNSHIP
Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance
For The Year Ended June 30, 2004

	General Fund	Total Governmental Funds
<u>REVENUES</u>		
Taxes	\$ 66,358	\$ 66,358
Licenses and Permits	4,311	4,311
Intergovernmental	90,191	90,191
Charges for Services	8,928	8,928
Interest	585	585
Other Revenue	<u>2,976</u>	<u>2,976</u>
Total Revenues	173,349	173,349
<u>EXPENDITURES</u>		
Current		
General Government	54,409	54,409
Public Safety	77,815	77,815
Public Works	11,629	11,629
Community & Economic Development	400	400
Debt Service	<u>6,061</u>	<u>6,061</u>
Total Expenditures	<u>150,314</u>	<u>150,314</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	23,035	23,035
Fund Balance, Beginning of Year	<u>92,939</u>	<u>92,939</u>
Fund Balance, End of Year	<u><u>\$115,974</u></u>	<u><u>\$115,974</u></u>

The notes to financial statements are an integral part of these statements.

SENECA TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For The Year Ended June 30, 2004

Net Change in Fund Balances – Total Governmental Funds	\$23,035
---	-----------------

Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

ADD – Capital Outlay

DEDUCT – Depreciation Expense

(943)

Repayment of notes payable is a expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

5,632

Change in Net Assets of Governmental Activities

\$27,724

SENECA TOWNSHIP
Fiduciary Funds – Statement of Net Assets
June 30, 2004

	Tax Collection Fund
<u>ASSETS</u>	
Cash	\$ ---
Total Assets	<u>\$ ---</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ ---
Due to Other Governmental Units	<u>---</u>
Total Liabilities	<u>\$ ---</u>

The notes to financial statements are an integral part of these statements.

SENECA TOWNSHIP
Notes to Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Seneca Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Seneca Township.

A. Reporting Entity

Seneca Township is governed by an elected board. The accompanying financial statements present the government for which government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

SENECA TOWNSHIP
Notes to Financial Statements
June 30, 2004

Property taxes, franchise taxes, intergovernmental revenue licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following fund types:

The Fiduciary Funds account for assets held for other governments in an agency capacity, including tax collection, and other project funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government – wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government –wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

SENECA TOWNSHIP
Notes to Financial Statements
June 30, 2004

3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

4. **Capital Assets** – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

5. **Long - Term Obligations** – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

6. **Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. **Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of June of each year, the Board presents the proposed budget for review and holds public hearings and a final budget adopted.

The appropriated budget is prepared by fund, function and department.

SENECA TOWNSHIP
Notes to Financial Statements
June 30, 2004

The general government function of the General Fund is treated as a department for budgetary purposes and its budget is adopted at the object level. No significant adjustments were made to the budget.

- B. **Excess of Expenditures Over Appropriations In Budgeted Funds** - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2004, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Township Board	\$ 6,150	\$ 7,342	\$1,192
Assessor	8,000	8,305	305
Fire	34,075	34,076	1
Advanced Life Support	34,625	40,682	6,057

NOTE 3 – DEPOSITS AND INVESTMENTS

The government unit's deposits and investment policy are in accordance with statutory authority.

At year-end the government's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash – Checking	<u>\$113,988</u>

The checking account balance is insured by federal depository insurance of \$100,000.

SENECA TOWNSHIP
Notes to Financial Statements
June 30, 2004

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

	<u>Category</u>				<u>Carrying Amount (Fair Value)</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Uncategorized</u>	
Cash – Checking Bank	<u>\$113,988</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$113,988</u>

NOTE 4 – RECEIVABLES

Receivables as of year-end for the government are as follows including applicable allowances for uncollectible accounts.

	<u>General Fund</u>
Taxes Receivable	<u>\$2,105</u>

NOTE 5 – CAPITAL ASSETS

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Not Being Depreciated:				
Land	<u>\$ 12,000</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 12,000</u>
Capital Assets				
Being Depreciated:				
Building	37,722	---	---	37,722
Equipment	4,334	---	---	4,334
Office Equipment	<u>2,212</u>	<u>---</u>	<u>---</u>	<u>2,212</u>
Total Capital Assets				
Being Depreciated	<u>44,268</u>	<u>---</u>	<u>---</u>	<u>44,268</u>

SENECA TOWNSHIP
Notes to Financial Statements
June 30, 2004

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Governmental Activities	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less Accumulated Depreciation For:				
Building	(8,488)	(943)	---	(9,431)
Equipment	(4,334)	---	---	(4,334)
Office Equipment	<u>(2,212)</u>	<u>---</u>	<u>---</u>	<u>(2,212)</u>
Total Accumulated Depreciation	<u>(15,034)</u>	<u>(943)</u>	<u>---</u>	<u>(15,977)</u>
Total Capital Assets, Being Depreciated, Net	<u>29,234</u>	<u>(943)</u>	<u>---</u>	<u>28,291</u>
Governmental Activities Capital Assets, Net	<u>\$ 41,234</u>	<u>\$ (943)</u>	<u>\$ ---</u>	<u>\$ 40,291</u>

Depreciation expense was charged to Governmental Activities – general government for \$943 at June 30, 2004.

NOTE 6 – LONG – TERM DEBT

The government owes on a unsecured note with the City of Morenci, Michigan for Advanced Life Support provider. This is due other four years at 3.24% interest per year paid semi annually at \$3,030.27.

<u>Year</u>	<u>Payment Amount</u>	<u>Interest</u>	<u>Principle</u>
2005	\$6,061	\$244	\$5,816
2006	<u>3,219</u>	<u>51</u>	<u>3,168</u>
	<u>\$9,280</u>	<u>\$295</u>	<u>\$8,984</u>

The only debt service requirements of the government are shown above.

SENECA TOWNSHIP
Notes to Financial Statements
June 30, 2004

NOTE 7 – RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2004, the government carried insurance through commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from those risks that exceeded its coverage in any of the past three fiscal years.

NOTE 8 – PROPERTY TAXES

The government's property taxes are levied each year, on the taxable valuation of property located within the township. These taxes are due by February 14, with final collection date of February 28, before they are added to the county tax rolls.

Delinquent real property taxes are reimbursed to the local unit through a county revolving tax fund.

Total taxable value \$31,765.28 of which the township receives .9117 mill or \$28,933. Additional assessment for Advance Life Support of 1.1711 mill or \$37,200.

NOTE 9 – PENSION

The government has no pension, and has elected to be inclusive in the social security system.

NOTE 10 – ACCOUNTING AND REPORTING CHANGE

GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. The Township has applied the provisions of this statement in the accompanying financial statements (including the notes to financial statements.) The Township has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using a full accrual accounting for all of the Township's activities.
- A change in the financial statements to focus on the major funds.
- Capital assets in the governmental activities column of the statement of net assets includes assets not previously accounted for by the Township.
- The governmental activities column includes notes payable obligations previously reported in the General Long-term Debt Account Group.

SENECA TOWNSHIP
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2004

	<u>Budget Original</u>	<u>Amounts Final</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<u>REVENUES</u>				
Property Taxes	\$ 69,775	\$ 69,775	\$ 66,358	\$ (3,417)
Intergovernmental	95,000	95,000	90,191	(4,809)
Licenses and Permits	4,000	4,000	4,311	311
Charge for Services	8,000	8,000	8,928	928
Interest Income	1,150	1,150	585	(565)
Other	<u>6,300</u>	<u>6,300</u>	<u>2,976</u>	<u>(3,324)</u>
Total Revenues	<u>184,225</u>	<u>184,225</u>	<u>173,349</u>	<u>(10,876)</u>
<u>EXPENDITURES</u>				
General Government:				
Township Board	6,150	6,150	7,342	1,192
Supervisor	8,775	8,775	7,589	(1,186)
Elections	1,450	1,450	118	(1,332)
Professional Fees	10,250	10,250	2,720	(7,530)
Clerk	9,575	9,575	8,220	(1,355)
Treasurer	10,475	10,475	9,289	(1,186)
Board of Review	650	650	491	(159)
Township Hall	2,400	2,400	2,389	(11)
Assessor	8,000	8,000	8,305	305
Insurance	4,000	4,000	2,772	(1,228)
Cemetery	<u>8,200</u>	<u>8,200</u>	<u>5,174</u>	<u>(3,026)</u>
Total General Government	<u>69,925</u>	<u>69,925</u>	<u>54,409</u>	<u>(15,516)</u>
Public Safety:				
Inspections	5,000	5,000	3,057	(1,943)
Fire	34,075	34,075	34,076	1
Advanced Life Support	<u>34,625</u>	<u>34,625</u>	<u>40,682</u>	<u>6,057</u>
Total Public Safety	<u>73,700</u>	<u>73,700</u>	<u>77,815</u>	<u>4,115</u>
Public Works:				
Trash Removal	7,000	7,000	5,749	(1,251)
Drains	3,000	3,000	1,185	(1,815)
Street Lights	800	800	696	(104)
Highways & Bridges	<u>28,700</u>	<u>28,700</u>	<u>3,999</u>	<u>(24,701)</u>
Total Public Works	<u>39,500</u>	<u>39,500</u>	<u>11,629</u>	<u>(27,871)</u>

SENECA TOWNSHIP
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2004

	<u>Budget Original</u>	<u>Amounts Final</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Community & Economic Development:				
Zoning Board	<u>850</u>	<u>850</u>	<u>400</u>	<u>(450)</u>
Total Community & Economic Development	<u>850</u>	<u>850</u>	<u>400</u>	<u>(450)</u>
Debt Service:				
Principal	5,632	5,632	5,632	---
Interest	<u>480</u>	<u>480</u>	<u>429</u>	<u>(51)</u>
Total Debt Service	<u>6,112</u>	<u>6,112</u>	<u>6,061</u>	<u>(51)</u>
Total Expenditures	<u>190,087</u>	<u>190,087</u>	<u>150,314</u>	<u>(39,773)</u>
Revenues Over (Under) Expenditures	(5,862)	(5,862)	23,035	28,897
Fund Balance, Beginning of Year	<u>92,939</u>	<u>92,939</u>	<u>92,939</u>	<u>---</u>
Fund Balance, End of Year	<u>\$ 87,077</u>	<u>\$ 87,077</u>	<u>\$115,974</u>	<u>\$ 28,897</u>

The notes to financial statements are an integral part of these statements.

PHILIP R. RUBLEY

- *Certified Public Accountant* -

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

October 4, 2004

**Township Board
Seneca Township
Lenawee County, Michigan**

We have examined the combined financial statements of the Seneca Township, Lenawee County, Michigan and the combining, individual fund and account group financial statements of the Township as of and for the year ended June 30, 2004, and have issued our report thereon dated October 4, 2004. As a part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgements by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgement, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgements required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Township's system of internal accounting control for the year ended June 30, 2004, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Such study and evaluation disclosed the following conditions which we consider to be material weaknesses for which corrective action by the management of Seneca Township is recommended:

1. CHART OF ACCOUNTS – GASB 34

The Township needs to update current chart of accounts to totally comply with changes.

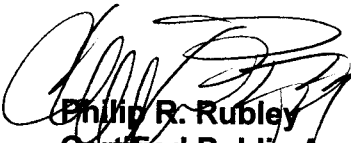
2. MAINTENANCE OF FIXED ASSETS

The Township needs to maintain records of additions and disposals of fixed assets over threshold approved of \$1,000.

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated October 4, 2004, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Sincerely Yours,



Philip R. Rubley
Certified Public Accountant

PRR/cab